



Solicitation Information

December 12, 2012

Addendum #1

RFP #7458300

TITLE: ACTUARIAL SERVICES RELATING TO MUNICIPAL PENSIONS

Submission Deadline: December 21, 2012 at 11:30 AM (EST)

PLEASE NOTE THAT THE SUBMISSION DEADLINE HAS BEEN EXTENDED TO FRIDAY, DECEMBER 21, 2012 AT 11:30 AM.

ATTACHED ARE VENDOR QUESTIONS WITH STATE RESPONSES. NO FURTHER QUESTIONS WILL BE ANSWERED.

Daniel W. Majcher, Esq.

Assistant Director, Special Projects

ADDENDUM #1 TO RFP # 7458300
Actuarial Services for Municipal Pension Plans

- **The submission date is pushed back to Friday, December 21, 2012 at 11:30 AM.**
- **Below please see response to vendor questions.**
- **Please continue to monitor the website for any additional information.**

Responses to questions from potential bidders:

Q: Per page 7 of the RFP, the purpose of this RFP is “to provide a pool of expert actuaries available to municipalities and the Department of Revenue” to provide valuation and staff services as well as special services with respect to municipal pension plans. Per page 18, multiple vendors may be selected through this RFP process. What criteria will be used to determine the number of vendors so selected?

A: The purpose is to establish a list of vendors with a Master Price Agreement for actuarial services, with the goal being to have multiple vendors for the state and municipalities to choose from. The evaluation process noted in the RFP will be used to determine the eligible vendors. The Department of Revenue has not determined a set minimum or maximum number of vendors.

Q: For what types of projects does the Department of Revenue foresee using actuaries from the pool created by this RFP process?

A: The purpose of the RFP is to establish a pre-qualified list of actuaries to provide advice to the Pension Study Commission that have the capacity to conduct full valuations and experience studies and also to provide assistance and recommendations to municipalities in meeting GASB requirements and the requirements of the Pension Study Commission. The actuaries will need to present the findings to the staff and elected officials and develop savings options for locally administered pension plans and OPEB plans.

Q: Will municipalities be required to go through a selection process for a pension actuary, or may they continue to use their current actuary?

A: Municipalities may continue to use their current actuary; however the Department of Revenue may encourage municipalities to review the existing contracts for qualifications and/or pricing to determine if the current actuary is providing the appropriate level of service.

Q: May municipalities choose to go outside of the pool of vendors who have been selected to participate in the State’s Master Price Agreement?

A: Municipalities have the option of utilizing the state MPA, but are not required to do so.

Q: Will municipalities be required to go through a formal RFP process to select a pension actuary, or will vendors' participation in the State's Master Price Agreement allow municipalities to short-cut or eliminate a formal RFP process?

A: No, municipalities will not need to conduct a formal RFP to select a pension actuary. Per RIGL § 37-2-56, Purchasing for municipalities and regional school districts, the municipality has the option to utilize the state MPA.

Q: If a vendor is already providing services to a municipality on a price basis that is not the same as that contained in the State's Master Price Agreement, which terms will prevail?

A: If the vendor is providing services to a municipality at a higher rate than the state MPA rate, it is anticipated that the municipality will attempt to negotiate with the vendor to obtain a more favorable pricing arrangement.

Q: The Valuation and Staff Services indicate attendance at a minimum of two meetings (page 8). Many of our clients find that one meeting per year is sufficient, or even one meeting only when there are unusual situations to discuss. Must services provided through the State's Master Price Agreement always include two meetings per year?

A: Yes, the services must include a minimum of two meetings per year. The intent of this requirement is to encourage a more iterative process between municipalities and the vendors and also to continually inform the elected officials, municipal staff, and taxpayers. The actuarial firms should be working proactively with the municipalities to explain the valuations, methods, assumptions, and results. For plans with a funded ratio under 60% it is critical that actuaries provide recommendations for cost saving initiatives, and monitor progress toward addressing the funding status and sustainability of the locally administered pension and OPEB plans.

Q: The Valuation and Staff Services refer to "production of an asset liability analysis performed by the investment consultant" (page 8). Will the asset liability analysis be performed by the actuary or by the investment consultant? With what frequency will an asset liability analysis be performed?

A: The asset liability analysis should be produced by the government's investment consultant, in consultation with the actuary, on a basis similar to that of the experience study which is required every three years.

Q: The Valuation and Staff Services refer to “a separate valuation and employer contribution rate for each municipal employing unit” (page 9). If a municipality is not now, or chooses to not have valuation results and contribution rates broken out by municipal employing unit, is this permissible?

A: While this may be the practice in some RI governments with non state administered plans, it is not in the best interest of the members or taxpayers for transparency and accountability reasons. At a minimum, the municipalities are required to segregate the results and contribution rates for units with discrete benefit structures for its members, such as city/town, police, fire, etc. in order to ensure that the costs associated with each individual unit are transparent and properly reflected in the actuarial report.

Q: The transmittal letter mentions compliance with HIPAA requirements (page 11). HIPAA does not apply to pension valuations and often does not apply to OPEB valuations.

A: This language is included because HIPAA regulations may apply to OPEB valuations. As part of the OPEB valuation process, the vendor will need to ensure that data transmittals and use of data do not violate HIPAA, and therefore must be familiar with the Act.

Q: The Professional Staff section references “small-sized public retirement systems” (page 12). What constitutes “small-sized” in this context?

A: In this context, small-sized refers to retirement systems with less than 8,000 members.

Q: The Professional Staff section includes information on the length of time the staff person has worked for “a major actuarial firm” (page 12). What constitutes “major” in this context?

A: In this context, major refers to a firm of 10 or more actuaries that has specialized in the provision of actuarial services for a minimum of ten (10) years.

Q: The only cost or fee information requested in the RFP is the hourly fees for actuaries and staff support (page 14), but the evaluation criteria indicate that cost will account for 30% of the evaluation score (page 16). Since valuations for pension plans of varying complexity require different mixes of personnel at different hourly billing rates, how will “cost” be judged for purposes of the evaluation criteria?

A: Cost will be judged by the hourly rates of the actuarial and support staff. It is assumed that the actuary with the highest rate will perform 100% of the work, unless a specific proposal is provided identifying your standard allocation of work (FSA 35% of work / ASA 65% of

work). OPEB actuaries should be listed with their rates. The hourly rates for all personnel should be listed.

Q: OPEB valuation services account for 5 points in the evaluation criteria (page 16) but no information is requested regarding OPEB valuation or consulting capabilities. What information should be supplied in order for the evaluators to be able to apply the evaluation criteria?

A: The vendors should provide a list of clients, member counts, unfunded liabilities and references for whom the firm or the principals has provided professional actuarial and consulting services within the past five years, consistent with the requirements for pension valuations. Firm should identify rates for actuaries who do OPEB work.

Q: There are cost efficiencies inherent in providing both pension and OPEB actuarial and consulting services to the same municipality. How will the State's Master Price Agreement relate to actuarial services for OPEB programs?

A: If the use of the same firm for the pension and OPEB valuations will result in reduced rates, then the vendor should indicate a separate pricing schedule for municipalities that choose to use the same firm for both valuations.

Q: We provide the requested valuation and staff services to our clients almost exclusively on a fixed fee basis. Those fixed fees are based on our hourly billing rate structure and our best estimate of the work involved for each situation. How will costs be stated in the State's Master Price Agreement, since this will represent our maximum rate/cost (page 18)?

A: The response should provide a fee per hour for performance of actuarial services for all actuaries and staff support. Flat fixed fee arrangements for annual valuations, Funding Improvement Plans, or special projects should be negotiated between the contracting entity and the vendor, and will not be specified on the MPA.

Q: Does a similar engagement currently exist to provide actuarial services to municipal pension plans? If so, how many contracting entities have accessed the services agreement?

A: There is currently no MPA for actuarial services for locally administered pension plans. These services are currently procured at the local level.

Q: What is the number of contracting entities that will have access to the successful actuarial firm through the services agreement that will result from the RFP?

A: The entities that will have access to the MPA include the Department of Revenue, 35 pension plans which are locally-administered by 24 communities, and 39 communities with OPEB plans.

Q: How many contracting entities does the Department of Administration expect to elect to access the services agreement that will result from the RFP?

A: The purpose is to establish a list of vendors with a Master Price Agreement for the actuarial services, with the goal being to have multiple vendors for the state and municipalities to choose from. The evaluation process noted in the RFP will be used to determine the eligible vendors. The Department of Revenue has not determined a set minimum or maximum number of vendors.

Q: If a contracting entity accesses the services agreement resulting from this RFP, will the successful actuarial firm be the retained actuary for the retirement plans, going forward, or will the firm just be engaged to assist with the contracting entity with experience studies, funding improvement plans, and other special projects?

A: The contracting entity may determine, at their discretion, to engage a firm for comprehensive actuarial services such as annual valuations and experience studies, or for specific projects such as funding improvement plans or periodic audits of existing actuaries.

Q: Please confirm that the RFP is requesting consulting fee information for both pension and OPEB actuarial services.

A: Fee information is requested for both pension and OPEB actuarial services. To the extent that a contracting entity engaging the same firm for the pension and OPEB valuations will result in reduced rates, then the vendor should indicate a separate pricing schedule for municipalities that choose to use the same firm for both valuations. It is suggested that the respondents make clear the rates for personnel assigned to different tasks. A sample table is shown below:

Name	Pension	OPEB
Winston Churchill	\$a	n/a
Tom Brady	\$b	n/a
Justin Beber	\$c	\$c
Dr. Phil	n/a	\$d

Q: Will locally administered plans be permitted to select actuarial firms that are not approved under the Master Price Agreement (MPA), as their consultant? If yes, would an entity that selects a vendor outside the MPA receive the 50% reimbursement?

A: Municipalities are permitted to select firms that are not approved on the MPA through their own competitive bidding process. The reimbursement applied only to the valuations that were due on April 1, 2012. There are no further reimbursements.

Q: Will entities that currently engage actuarial consultants that are not selected by the State to participate in the MPA be permitted to continue utilizing the current firm? If yes, for how long?

A: The MPA is intended to assist municipalities in obtaining expert services at competitive pricing; however participation under the MPA is not a requirement.

Q: If the Funding Improvement Plan includes changes to the entity's pension plan design are these changes subject to collective bargaining?

A: To the extent the plan design is enumerated in the collective bargaining agreements, any changes to the agreements are subject to collective bargaining. The guidelines issued by the Pension Study Commission require that they identify the tasks or steps that are necessary to implement the plan, such as negotiations to plan changes.

Q: Under the new law, the State reimburses the locally administered plans for actuarial valuation services. Would this include the cost of a Funding Improvement Plan for critical status plans?

A: No, the State does not reimburse municipalities for the costs associated with the Funding Improvement Plans. The 50 percent reimbursement applied only to the valuations that were due on April 1, 2012. There are no further reimbursements.

Q: Does this solicitation include actuarial services for the Municipal Employees Retirement System (MERS)? When does the current MERS actuarial services contract expire?

A: This solicitation is for locally administered pension and OPEB plans only and does not include services for MERS. The current MERS actuarial contract does not expire this year.